

Senate File 304 - Introduced

SENATE FILE 304

BY SMITH

A BILL FOR

1 An Act relating to school district funding by establishing a
2 district cost per pupil equity budget adjustment, modifying
3 limitations on the cash reserves, and including effective
4 date provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 257.2, subsection 2, Code 2017, is
2 amended by striking the subsection.

3 Sec. 2. NEW SECTION. 257.14A District cost per pupil equity
4 — budget adjustment.

5 1. The board of directors of a school district with a
6 regular program district cost per pupil that is less than the
7 highest regular program district cost per pupil among all
8 school districts in the state for the same budget year that
9 wishes to receive the budget adjustment under this section may
10 adopt a resolution requesting the budget adjustment by May 15
11 preceding the budget year and shall within ten days of adoption
12 of the resolution notify the department of management of the
13 amount of the budget adjustment requested, subject to the
14 limitations of subsection 2, paragraph "a". The department of
15 management shall approve the budget adjustment for an amount
16 not to exceed the maximum budget adjustment amount authorized
17 under subsection 2, paragraph "a".

18 2. a. For budget years beginning on or after July 1,
19 2017, each school district for which a budget adjustment is
20 approved under subsection 1 shall be eligible for a budget
21 adjustment for that budget year in an amount not to exceed
22 the lesser of the difference between the school district's
23 regular program district cost per pupil and the highest regular
24 program district cost per pupil among all school districts
25 in the state multiplied by the district's budget enrollment
26 and the difference between the school district's cash reserve
27 limitation under section 298.10, subsection 3, and fifteen
28 percent of the school district's general fund expenditures for
29 the year previous to the base year minus the unexpended fund
30 balance for the year previous to the base year. The resolution
31 adopted under subsection 1 may specify a budget adjustment
32 amount that is less than the maximum amount authorized under
33 this paragraph.

34 b. The school district shall fund the budget adjustment
35 by using cash reserve funds, interest on cash reserve funds

1 earned during the base year, or both. If, however, the school
 2 district funds the budget adjustment solely with interest on
 3 cash reserve funds earned during the base year, the amount of
 4 the budget adjustment shall not reduce the school district's
 5 cash reserve limitation determined under section 298.10,
 6 subsection 3, paragraph "b".

7 3. A budget adjustment received under this section shall
 8 not affect the eligibility for or amount of any other budget
 9 adjustment authorized by law for the same budget year. In
 10 addition, a budget adjustment under this section shall be
 11 limited to the budget year for which the adjustment was
 12 authorized and shall not be included in any computation of a
 13 school district's cost for any future budget year.

14 Sec. 3. Section 257.34, Code 2017, is amended to read as
 15 follows:

16 **257.34 Cash reserve information.**

17 1. If a school district receives less state school
 18 foundation aid under [section 257.1](#) than is due under that
 19 section for a base year and the school district uses funds
 20 from its cash reserve during the base year to make up for
 21 the amount of state aid not paid, the board of directors of
 22 the school district shall include in its general fund budget
 23 document information about the amount of the cash reserve used
 24 to replace state school foundation aid not paid.

25 2. If a school district uses funds from its cash reserve,
 26 including interest earned on such funds, during the base year
 27 to fund a budget adjustment under section 257.14A, the board of
 28 directors of the school district shall include in its general
 29 fund budget document information about the amount of the cash
 30 reserve used for such purpose.

31 Sec. 4. Section 298.10, subsection 3, Code 2017, is amended
 32 to read as follows:

33 3. a. ~~For~~ Except as provided in paragraph "b", for fiscal
 34 years beginning on or after July 1, 2012, the cash reserve
 35 levy for a budget year shall not exceed twenty percent of the

1 general fund expenditures for the year previous to the base
2 year minus the unexpended fund balance, as defined in section
3 257.2, for the year previous to the base year.

4 b. For fiscal years beginning on or after July 1, 2018, the
5 cash reserve levy for a school district that received a budget
6 adjustment under section 257.14A, shall not exceed the amount
7 determined under paragraph "a" minus the sum of all budget
8 adjustments received by the district under section 257.14A for
9 all previous budget years, excluding those budget years for
10 which the budget adjustment was funded solely with interest
11 earned on cash reserve funds.

12 Sec. 5. Section 298A.2, Code 2017, is amended to read as
13 follows:

14 **298A.2 General fund.**

15 1. All moneys received by a school corporation from taxes
16 and other sources must be accounted for in the general fund,
17 except moneys required by law to be accounted for in another
18 fund.

19 2. Interest earned on cash reserve funds during a budget
20 year may be added to the district's existing cash reserve
21 amount within the general fund or may be designated by the
22 school board to fund a budget adjustment under section 257.14A
23 for the following budget year. Interest amounts designated to
24 be used for a budget adjustment under section 257.14A shall not
25 be included in district cost.

26 Sec. 6. IMPLEMENTATION. Notwithstanding the deadline
27 for adopting a resolution to approve the budget adjustment
28 in section 257.14A, subsection 1, for the school budget
29 year beginning July 1, 2017, the resolution of the board of
30 directors of a school district shall be approved not later than
31 June 10, 2017.

32 Sec. 7. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
33 immediate importance, takes effect upon enactment.

34 EXPLANATION

35 The inclusion of this explanation does not constitute agreement with

1 the explanation's substance by the members of the general assembly.

2 This bill establishes a district cost per pupil equity
3 budget adjustment and modifies limitations on the amount
4 of allowable school district cash reserves. The board of
5 directors of a school district with a regular program district
6 cost per pupil that is less than the highest regular program
7 district cost per pupil among all school districts in the
8 state for the same budget year may annually adopt a resolution
9 requesting to receive the budget adjustment authorized in
10 the bill. Following adoption of the resolution the board of
11 directors must, within 10 days of its adoption, notify the
12 department of management of the amount of the budget adjustment
13 requested. The department of management shall approve the
14 budget adjustment for an amount not to exceed the maximum
15 budget adjustment amount authorized in the bill.

16 For budget years beginning on or after July 1, 2017, each
17 approved school district is eligible for a budget adjustment
18 for that budget year in an amount not to exceed the lesser of
19 the difference between the school district's regular program
20 district cost per pupil and the highest regular program
21 district cost per pupil among all school districts in the
22 state multiplied by the district's budget enrollment and
23 the difference between the school district's cash reserve
24 limitation under Code section 298.10, subsection 3, and 15
25 percent of the school district's general fund expenditures
26 for the year previous to the base year minus the unexpended
27 fund balance for the year previous to the base year. The
28 budget adjustment amount may be less than the maximum amount
29 authorized under the bill. The bill requires the school
30 district to fund the budget adjustment using cash reserve
31 funds, interest earned on cash reserve funds, or both. If,
32 however, the school district funds the budget adjustment solely
33 with interest earned on cash reserve funds during the base
34 year, the amount of the budget adjustment shall not reduce the
35 school district's cash reserve limitation provided for in the

1 bill.

2 The bill specifies that the budget adjustment received does
3 not affect the eligibility for or amount of any other budget
4 adjustment authorized by law for the same budget year and that
5 the budget adjustment under the bill is limited to the budget
6 year for which the adjustment was authorized and shall not be
7 included in any computation of a school district's cost for any
8 future budget year.

9 Under the bill, if a school district uses funds from its cash
10 reserve, including interest earned on such funds, during the
11 base year to fund a budget adjustment authorized in the bill,
12 the board of directors of the school district shall include in
13 its general fund budget document information about the amount
14 of the cash reserve used for such purpose.

15 The bill provides that interest earned on cash reserve
16 funds during a budget year may be added to the district's
17 existing cash reserve amount within the general fund or may
18 be designated by the school board to be used to fund a budget
19 adjustment authorized in the bill. However, the interest
20 amounts so designated shall not be included in district cost.

21 Currently, Code section 298.10 directs the department of
22 management to limit the school district's cash reserve levy to
23 a level that is not in excess of 20 percent of the general fund
24 expenditures for the year previous to the base year minus the
25 unexpended fund balance for the year previous to the base year.
26 The bill provides that for fiscal years beginning on or after
27 July 1, 2018, the cash reserve levy for a school district that
28 received a budget adjustment under the bill shall not exceed
29 the amount determined under the current law limitation minus
30 the sum of all budget adjustments received by the district
31 under the bill for all previous budget years, excluding those
32 budget years for which the budget adjustment was funded solely
33 with interest earned on cash reserve funds.

34 Notwithstanding the May 15 deadline for adopting a
35 resolution to approve the budget adjustment provided for in the

1 bill, for the school budget year beginning July 1, 2017, the
2 resolution of the board of directors of a school district must
3 be approved not later than June 10, 2017.
4 The bill takes effect upon enactment.